

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7083

BILL NUMBER: HB 1322

NOTE PREPARED: Jan 13, 2004

BILL AMENDED:

SUBJECT: Farmland Credit.

FIRST AUTHOR: Rep. Hoffman

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
FEDERAL

IMPACT: State

STATE IMPACT	FY 2004	FY 2005	FY 2006
State Revenues			
State Expenditures		14,000,000	41,600,000
Net Increase (Decrease)		(14,000,000)	(41,600,000)

Summary of Legislation: This bill provides a farmland credit against property taxes equal to the property tax liability imposed on 20% of the assessed valuation of the total farmland acreage of a farm. The bill provides that a taxpayer may not claim the credit for more than 500 acres statewide.

Effective Date: Upon passage.

Explanation of State Expenditures: Beginning with taxes paid in CY 2005, this bill would create a property tax credit against the tax liability on agricultural land owned by an individual or a corporation if the owner actively participates in the use of the agricultural land. Each owner would be eligible to receive credits in more than one county, however, the credit may only be calculated on a maximum of 500 acres, statewide. The credit would be equal to 20% of the net property tax liability on up to 500 acres of farmland.

Based on the number and size of farms reported in the *1997 Census of Farms*, the assessed value (AV) eligible for the credit (at 20%) is estimated at \$2.18 B AV for taxes paid in 2005 and future years. The net property tax (and credit amount) on the eligible AV is estimated at \$41.9 M in CY 2005, \$40.8 M in CY

2006, and \$42.3 M in CY 2007. **On a fiscal year basis, the cost of the credit is estimated at \$14.0 M in FY 2005, \$41.6 M in FY 2006, and \$41.3 M in FY 2007.**

This credit would be funded from the Property Tax Replacement Fund, which is annually supplemented by the state General Fund. The credit would ultimately affect the state General Fund.

The bill would require the Department of Local Government Finance (DLGF) to prescribe application forms and provide them to county auditors and the public. It also permits the DLGF to adopt temporary rules to implement this provision.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Local revenues would not be affected by this credit.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: County auditors.

Information Sources: Census Bureau; Local Government Database.

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